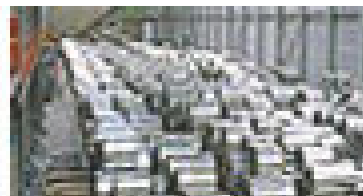


Getting Beyond Turf: Federal Support for State and Local Initiatives in Clean Air and Clean Energy



2005 EPA Air Quality Innovations Conference
Chicago, IL
August 24, 2005

Hank Habicht
CEO, Global Environment & Technology Foundation
Commissioner, National Commission on Energy Policy



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The Climate for Innovation

- Cross sector concern about the problem
- Economic promise of solutions
- Partnerships across institutional/"turf" boundaries
- early successes
- regulators open to market-based approaches
- engaged communities
- involvement of traditional financial institutions



The Climate Today

- Bi-partisan efforts on energy policy
 - National Commission on Energy Policy
 - Energy Future Coalition
- 1990 CAA success stories
 - Showed value of cap-and-trade system
- State/county leadership and success
 - Renewable energy, climate change, etc.
- EPA willingness to support community initiative (e.g. CARE, EE/RE Guidance)



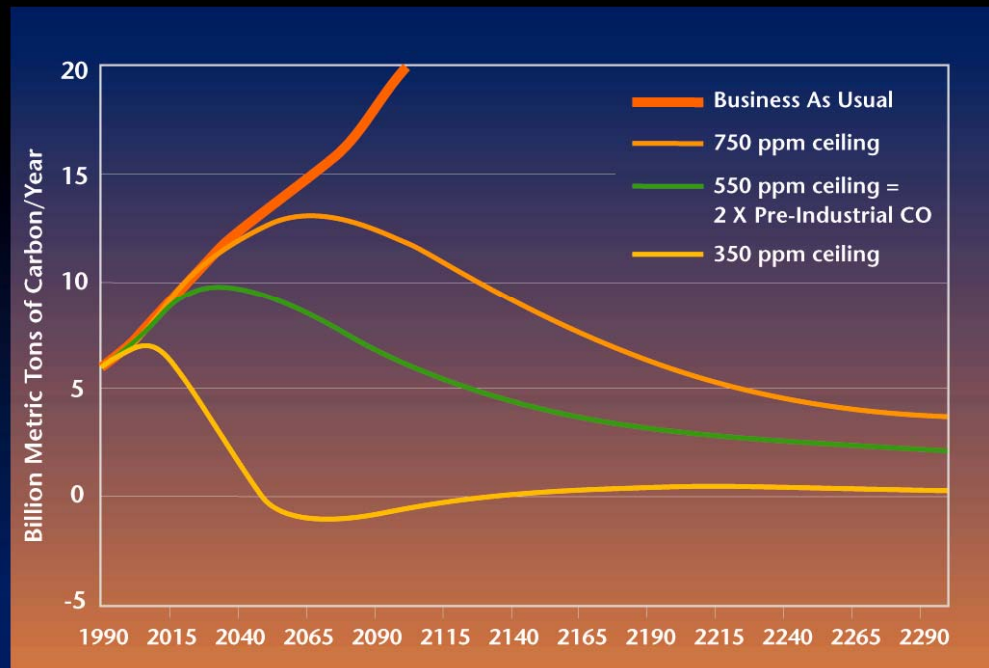
National Commission on Energy Policy

- Improving Oil Security
- Reducing Risks from Climate Change
- Improving Energy Efficiency
- Expanding Energy Supplies
- Strengthening Energy Supply Infrastructure
- Developing Energy Technologies for the Future



NCEP Finding: Magnitude of the Climate Challenge

Atmospheric Stabilization Emissions Paths



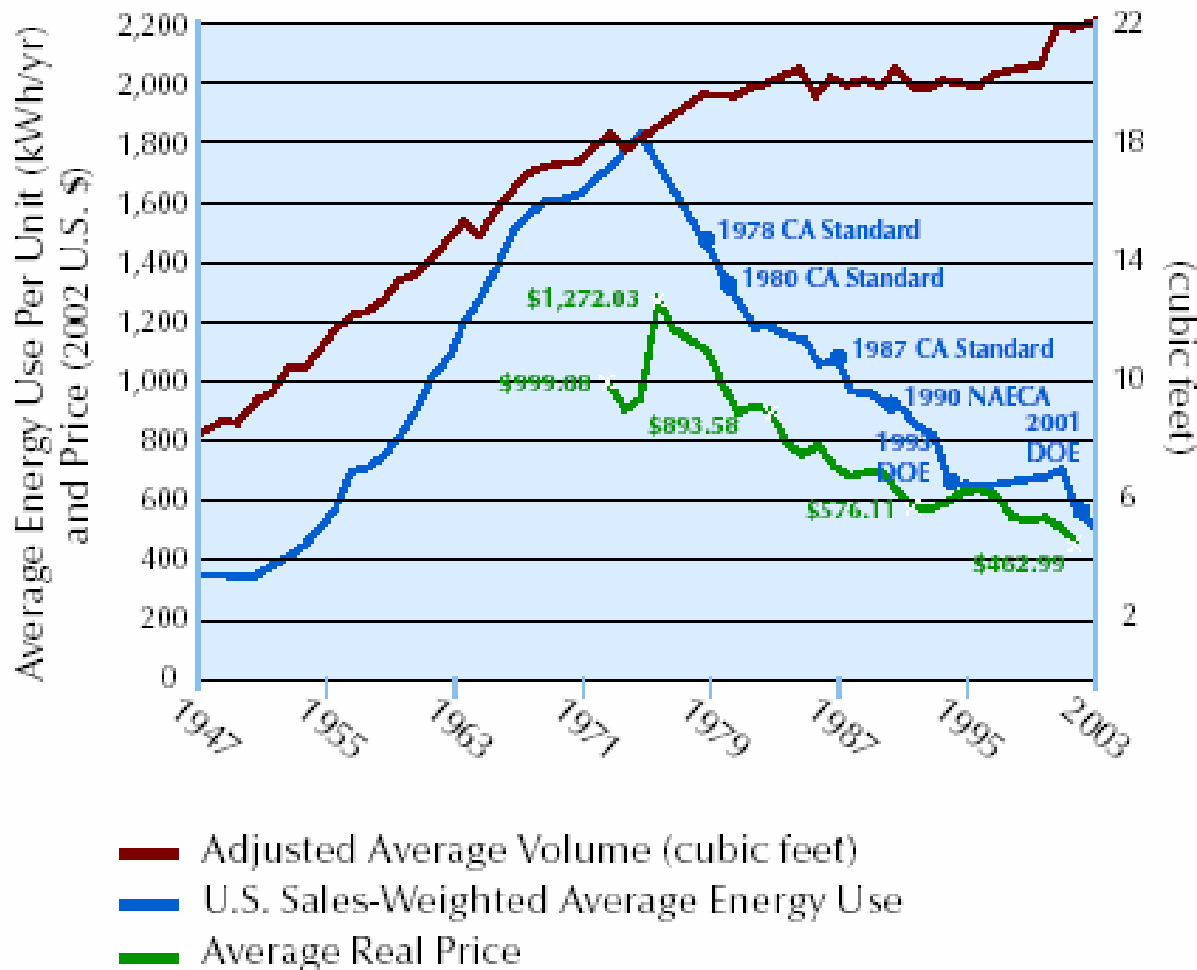
Trading system
needed to meet
this challenge at
least cost

Source: National Commission on Energy Policy



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Technology Possibilities – Example: Energy Efficiency in Refrigerators



Source: National Commission on Energy Policy



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NCEP Recommendations: Beyond Stalemate?

- Reduce oil dependency through more efficient vehicles (e.g. hybrids, plug-in hybrids, advanced diesel)
- Expand domestic portfolio of petroleum alternatives including cellulosic ethanol and biodiesel
- Electricity sector which expands low-zero carbon options, with clean coal (IGCC) and carbon capture and sequestration as a centerpiece
- International cooperation and penetration of developing markets



Critical Success Factors for Local Initiatives

- Beating turf, working across sectors
 - Energy
 - Environment
 - Transportation
 - Utility regulators
- Engaged communities
- Regional approach/proven long-term planning strength



State Success Stories

- New Jersey
 - SBC funds EE/RE
 - Incentive Allowances for SIP crediting or trading
 - Set-aside works in regional cap-and-trade
- Utah
 - SEP fees from enforcement actions can be used to buy green power
- Connecticut
 - Clean Demand Response in load pocket
 - Energy, air quality, and utility agencies working with utilities and building owners



State Success Stories

- Indiana
 - Clean energy set-aside developed to go above and beyond required NOx reductions, boost local economy, and enhance reliability of electricity system
- Houston
 - Urban heat island mitigation improves air quality (less smog formation) *and* reduces electricity demand (less NOx)
- Texas (state-wide)
 - Many measures (legislative and regulatory)
 - Thorough analysis of county-level impacts
 - No statewide cap-and-trade program with allowances, so cannot use a set-aside
- Maryland
 - Wind power included in SIP revision

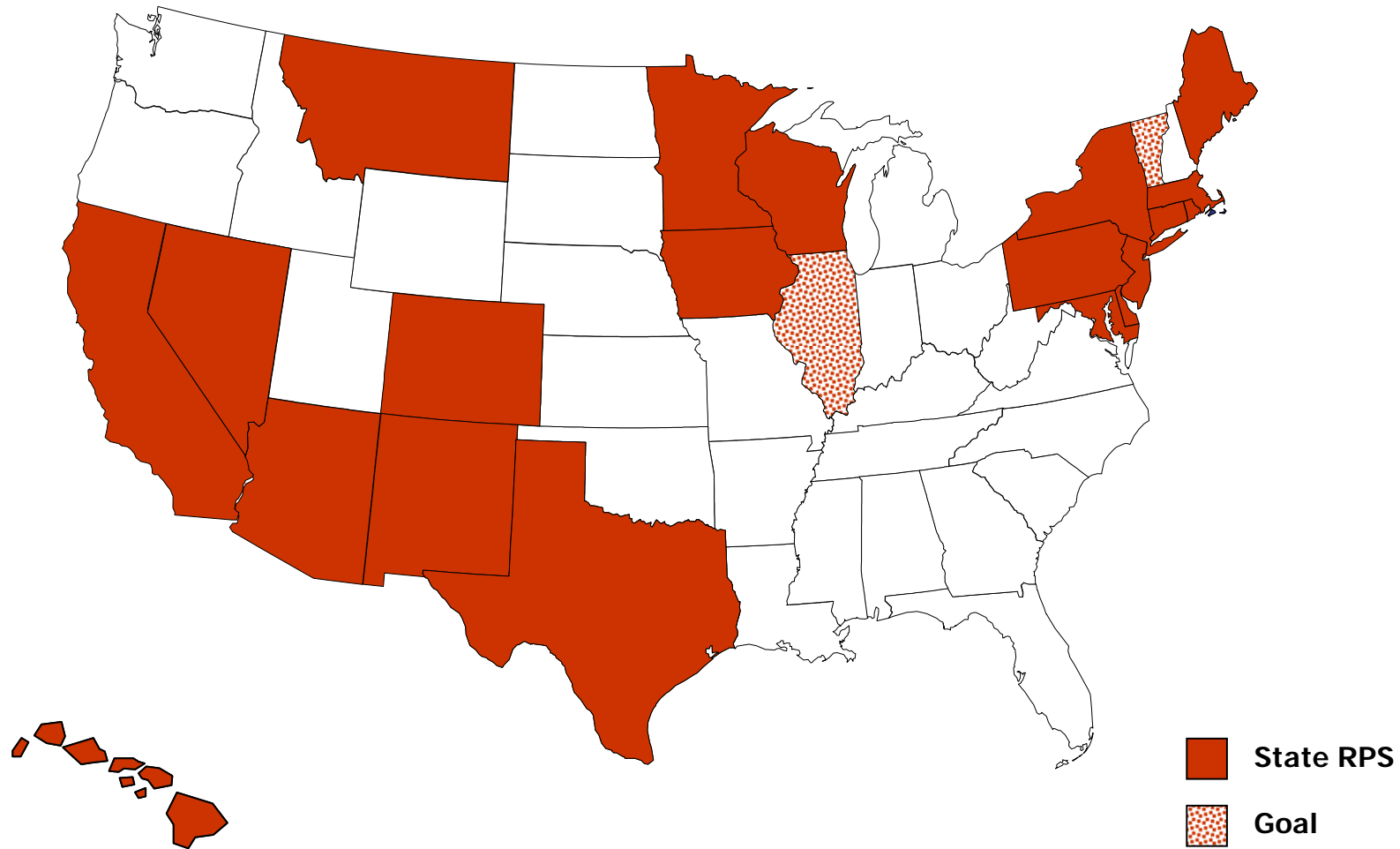


The State and Local Role

- Climate
 - Greenhouse Gas Inventories
 - Resolutions
 - Binding Commitments
- Energy
 - Renewable Portfolio Standards
 - System Benefit Charges
 - Tax Credits
 - Building Codes



State Role: RPS



http://www.dsireusa.org/documents/SummaryMaps/RPS_Map_08_05.ppt (modified)



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The Frontier: Renewable Energy

- ACORE regional roundtables showed momentum at the community level
- Consistent grass-roots support
- Buy-in of key stakeholders; cross-section of business, government, NGO and financial leaders
- Key Objectives:
 - Growing demand
 - Standardization
 - Expanding financing options
 - Building support for necessary superstructure
 - Transmission
 - Efficiently functioning REC markets
- State leaders, collaborating on a regional interstate basis, can move this market
 - Need Federal government responsive to their needs
 - Need market-oriented, stable and predictable policies



The Frontier: Transportation

- Long-term options starting to emerge
 - Plug-in hybrid running on biofuels
 - Could be Diesel-cycle?
 - Hydrogen fuel cell
 - Either may impact stationary sources
- Idling reduction
 - IdleAire technology – HVAC and electricity for truck at truck stops



IdleAire: A Transportation Solution



Heating/Air Conditioning, Power, Cable/Satellite, and Phone... all without idling

Source: <http://www.idelaire.com/>



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What is Needed from Federal Government

- Clear, stable rules
 - Whether regulations or PTC
 - Need to be able to make business decisions
- Modeling support/SIP Credit
 - Analysis cannot be so hard that “juice is not worth the squeeze”
 - Cap-and-trade can complicate or simplify analysis
 - Emissions somewhat independent of energy use
 - Trying to determine exact impact and where allowances will be sold – difficult
 - Retiring allowances and so reducing emissions in the state – simpler (but not county-level)
- Engaging financial community



Example “Turf-Buster”: Biofuels

- Energy Bill
- Transportation Bill
- Farm Bill
- Addresses climate change, national security, domestic economy



Source: USDA/ARS



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